

BEFORE THE  
POSTAL REGULATORY COMMISSION

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Periodic Reporting  
(UPS Proposal One)

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: Docket No. RM2020-9  
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UNITED PARCEL SERVICE, INC.'S MOTION FOR LEAVE  
TO FILE REPLY COMMENTS  
(January 8, 2020)

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Order No. 5738, Dkt. No. RM2020-9 (Oct. 27, 2020), established the deadline for interested persons to file comments addressing matters raised by UPS Proposal One and discussed at the September 29, 2020 technical conference, but made no provision for reply comments. Initial comments were filed on December 15 by UPS, as well as by the Postal Service, the Public Representative, the Parcel Shippers Association, Pitney Bowes Inc., Amazon.com Services, Inc., the Greeting Card Association, and the American Consumer Institute Center for Citizen Research.

In its comments, the Postal Service purports to identify various conceptual and analytical errors in Proposal One and recommends that the Commission decline to adopt the proposal. The comments of the other entities largely overlap with those made by the Postal Service. UPS believes, however, that the Postal Service's criticisms are inaccurate and requests leave to file reply comments to explain these inaccuracies.

In particular, UPS's proposed reply comments would respond to three issues. *First*, the Postal Service argues that the December cost spike can be explained in part

by the increased volumes of certain market-dominant products, such as First-Class mail. This argument, however, fails to consider the Commission's responsibility to calculate the incremental costs of competitive products as a group to satisfy the requirements of U.S.C. § 3633(a)(1). UPS's Petition establishes that, if the Postal Service did not deliver competitive products, its costs would not increase *at all* in December. Instead, they would decrease substantially. This is because, in a world where the Postal Service does not deliver packages, it would have lower *overall* volumes to deliver in December. And this would occur even though First Class mail on its own experiences a modest volume increase in December, because that modest increase is dwarfed by the overall decrease in other market-dominant products.

*Second*, the Postal Service defends its current incremental cost methodology, which assumes that delivering packages has no impact on its operations, by arguing that competitive products constitute a "very small range" of volume. This argument ignores the reality that competitive products are a prominent focus of the Postal Service's business and the extensive data that demonstrates that the Postal Service's package delivery business necessarily does impact its operations.

*Third*, the Postal Service criticizes UPS's approach to modeling monthly changes in cost as "work[ing] in the opposite direction" of the established methodology. But as detailed in the proposed comments, the UPS approach is based on marginal costs for each product as reported by the Postal Service and thus has a reliable foundation in Postal Service data. While the Postal Service offers an alternative, there is a significant flaw in the Postal Service approach—it implicitly assumes that variability is the same in

each month, even though all parties agree the Postal Service's operations vary by month.

In order to provide the Commission with a more complete discussion of these matters, to which UPS has had no previous opportunity to respond, UPS seeks leave to respond. UPS's proposed reply comments are filed in a separate pleading submitted concurrently. Acceptance of these reply comments would facilitate the Commission's understanding and evaluation of the Postal Service's comments, and would thus create a more complete record for the Commission's consideration of the matters raised by UPS Proposal One and discussed at the September 29, 2020 technical conference.

Wherefore, UPS respectfully requests leave to file the concurrently filed reply comments responding to the comments of the Postal Service.

Respectfully submitted,

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